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Arizona Corporation Commission

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SEP 11 2008

AZ CORP COMMISSION

AZ CORP CONTROMA COUNTY FACILITIES MANAGEMENT

150 WEST CONGRESS, 5th FLOOR

TUCSON, ARIZONA 85701

REID H. SPAULDING, Director

September 4, 2008

Mr. Dallas Dukes, Manager Rates and Revenue Requirements Tucson Electric Power Company Via eMail ddukes@tep.com

Mr. Dukes,

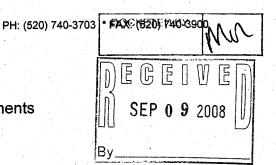
Pima County appreciates the efforts of Tucson Electric Power (TEP) Staff regarding the development of a Renewable Energy (RE) friendly Partial Requirements Service (PRS). Your efforts recognize the importance of nurturing emerging renewable technologies and the negative impact PRS tariffs can have in meeting the requirements of the Arizona Corporation Commission's REST rule.

After considering all comments made at the two TEP PRS meetings, we would recommend a four year moratorium with no PRS tariff applied to solar energy applications.

We recommend that the proposed net metering rule, which includes cost of service rationale (net of benefits), be adopted. We would also request that you implement a net metering strategy regardless of distance from load; essentially allowing a customer to generate solar electricity to the grid at a location distant from the actual customer load(s) in an amount that approximates their aggregated usage. Pima County is interested in exploring solar energy development on its sites and properties and believes such an approach would be helpful for developing optimal sites for both the County and TEP regardless of on-site load requirements.

The amount of energy generated by TEP customers now and during the four-year proposed moratorium is miniscule, at magnitudes that would have minimally detectable grid impacts either negative or positive. Additionally, solar supplies energy for about half of your defined peak power period and is therefore an asset which allows TEP to avoid peak power costs.

Although our recommendations may result in a minor amount of lost revenue, as there are no incremental or significant COSTS that can be directly related to the provision of standby power, capacities are fixed, it appears that the current PRS tariffs cannot be justified and it would not be appropriate to assign other system costs to this revenue channel; especially during the infancy, development phase of these technologies.



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Many ratepayers are motivated to self-generate power as a means to avoid significant future cost increase. We believe that there are other better methods for assuring appropriate returns on investments to TEP and ratepayers, such as the development of Utility Scale Solar arrays that would stabilize costs for all ratepayers and reduce or eliminate the complexities in managing supply/demand and standby power. TEP may want to consider meeting with local governments, ACC and solar component manufacturers to collaborate and identify actions required to develop a regional plan to develop cost effective solar products and to implement a scheduled and phased transition to mass solar power generation.

Sincerely,

Reid Spaulding

Director, Facilities Management

Terry Finefrock

Chief Contracts & Procurement Manager

M. Aneforh

Cc: Arizona Corporation Commission

RUCO

Chuck Huckelberry, Pima County Administrator

George Widiguris, Pima County Procurement Director

Terry Finefrock, Pima County Procurement

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